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COMECON'S THIRST FOR HARD CURRENCY

ANNCR:

TWENTY-SEVEN YEARS AGO THE COUNTRIES OF EASTERN EUROPE WERE FORMED INTO AN ECONOMIC UNION -- COMECON -- THAT LINKED THEIR ECONOMIC WITH THAT OF THE SOVIET UNION. THE COMECON BLOC HAS TRADED HEAVILY WITH THE WEST, AND IS DEPENDING INCREASINGLY ON THE WEST FOR HARD CURRENCY, AS WE HEAR NOW IN THIS REPORT BY VOA'S ANITA CHAPMAN:

VOICE:

THE COMECON NATIONS STARTED BORROWING HEAVILY IN WESTERN MARKETS IN THE EARLY SEVENTIES, IN PART TO OFFSET A GROWING TRADE DEFICIT WITH THE WEST. WESTERN FINANCIAL INSTITUTIONS, VIEWING WITH INTEREST A POTENTIAL NEW MARKET, OFFERED ATTRACTIVE TERMS TO THE EASTERN BLOC IN THE FORM OF LOWERED INTEREST RATES ON BORROWED MONEY.

EACH YEAR THE TOTAL OF LOANS INCREASES RATHER DRAMATICALLY. A FEW FIGURES: IN NINETEEN SEVENTY-FOUR TOTAL COMECON INDEBTEDNESS TO WESTERN BANKS WAS TWENTY-TWO THOUSAND MILLION DOLLARS. IT JUMPED TO THIRTY-TWO THOUSAND MILLION THE FOLLOWING YEAR. NOW WITH LESS THAN HALF THE CURRENT YEAR GONE, COMECON BORROWINGS HAVE EXCEEDED TWO-THIRDS OF LAST YEAR'S TOTAL.

WHAT THIS MEANS, TO QUOTE AN AMERICAN COMMENTATOR, IS THAT THE RUBLE IS FINE, BUT IT'S THE DOLLAR THE SWISS FRANC AND WEST GERMAN MARK THAT BUY TECHNOLOGY. IN OTHER WORDS, THE COUNTRIES THAT HAVE TECHNOLOGY TO SELL WANT HARD CURRENCY FROM BUYERS, THAT IS, CURRENCY NEGOTIABLE IN ANY MARKET. COMECON DOES MOST OF ITS BORROWING IN EUROPE IN

EURODOLLARS THAT ARE GENERATED BY THE COMMON MARKET OF WESTERN EUROPE. BUT AMERICAN BANKS HOLD ABOUT FIFTEEN PER CENT OF COMECON BANKING CREDITS THROUGH LOANS NEGOTIATED OUTSIDE THE UNITED STATES.

AS A RESULT OF COMECON'S HEAVY BORROWING, MANY WESTERN BANKS, IN THE WORDS OF A LONDON BANKER, "ARE GETTING FILLED UP WITH SOVIET PAPER". IN CONSEQUENCE, COMECON BUSINESS IS NOT SOUGHT AFTER AS IT WAS FIVE YEARS AGO AND INTEREST RATES HAVE STEADILY INCREASED. ANOTHER PROBLEM FOR COMECON IS THAT AMERICAN BANKS FIND THEMSELVES AT THE LEGAL LIMIT OF CREDITS THEY CAN ASSIGN TO ANY SINGLE BORROWER, EVEN THOUGH IT BE A MAJOR COUNTRY.

THE SOVIET UNION HAS AN EXCELLENT RECORD FOR REPAYMENT OF DEBT. AND WESTERN BANKERS COUNT ON THE SOVIET UNION TO STAND BEHIND DEBTS OF SMALLER COMECON COUNTRIES, SUCH AS NEWLY-JOINED CUBA, EVEN THOUGH THERE IS NOTHING ON PAPER TO THAT EFFECT. (OPT) OPT THE U.S.S.R. REPORTEDLY DECLINED TO HELP NORTH KOREA, WHICH WHILE SOCIALIST IS NOT PART OF COMECON, WHEN IT DEFAULTED ON A HUGE REPAYMENT, EVEN THOUGH A GOOD CHUNK OF THE DEBT WAS OWED TO THEM. (END OPT)

ECONOMISTS ALSO NOTE THE ABILITY OF THE CENTRALLY-PLANNED ECONOMIES OF THE BLOC TO DIVERT RESOURCES FOR REPAYMENT PURPOSES IF NEEDED. FOR INSTANCE, TO GET DOLLARS THE SOVIET UNION -- THE WORLD'S LARGEST OIL PRODUCER -- HAS QUIETLY BEEN DIVERTING OIL SALES FROM COMECON COUNTRIES THOSE OF WESTERN EUROPE.

THE DARKEST CLOUD SEEN BY BANKERS ON THE REPAYMENT HORIZON IS CROP FAILURES THAT MIGHT FORCE THE SOVIET UNION TO CONTINUE IMPORTING LARGE QUANTITIES OF FOOD. BUT IN THE

LONGER RUN, WESTERN BANKERS ARE WAITING TO SEE POSITIVE RESULTS IN THE BALANCE SHEET OF PRODUCTION FROM THE CAPITAL EQUIPMENT BEING BOUGHT SO HEAVILY BY THE EASTERN BLOC. AN "EARNINGS ABILITY" MUST BE DEMONSTRATED, AS A PARIS BANKER PUT IT, BEFORE THE MOOD OF CAUTIOUSNESS TOWARD FURTHER COMECON LOANS WILL CHANGE.

JS/PY